



# Leaving 2020 Behind

*Brian Andrew, CFA®  
President and Chief Investment Officer*

*Jason Herried, CFA®  
SVP, Director of Equity Strategies*

*December 16, 2020*

# Featured Speakers



**Brian Andrew, CFA®**

President and Chief Investment Officer  
Johnson Financial Group



**Jason Herried, CFA®**

SVP, Director of Equity Strategies  
Johnson Financial Group



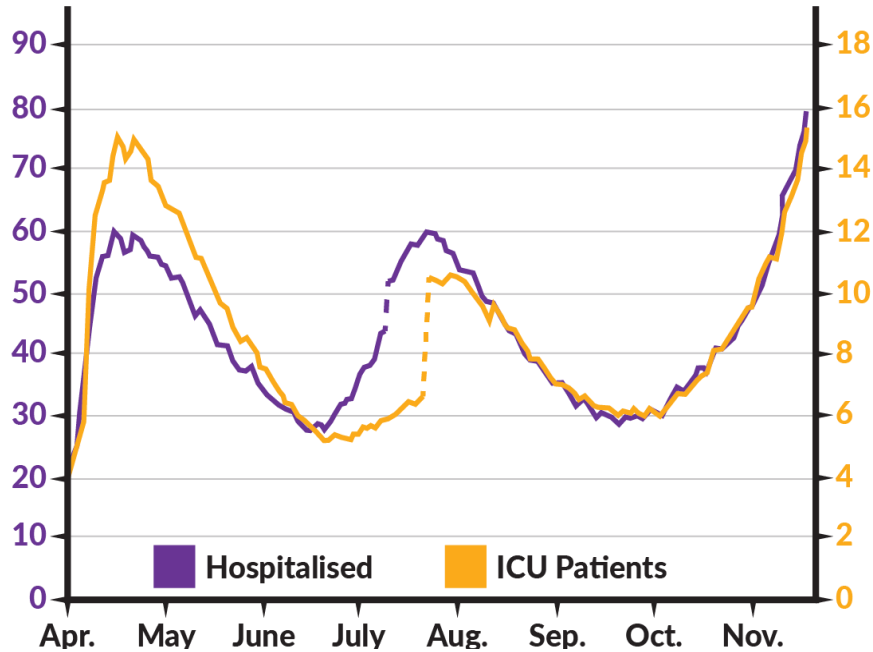
# Conclusions

- Economy will continue recovering
- Vaccination progress may not be smooth
- Aid likely
- Housing recovery belies demographic trend
- Stock valuation stretched – not everywhere
- Market rally needs new fuel, “rotation” is providing it

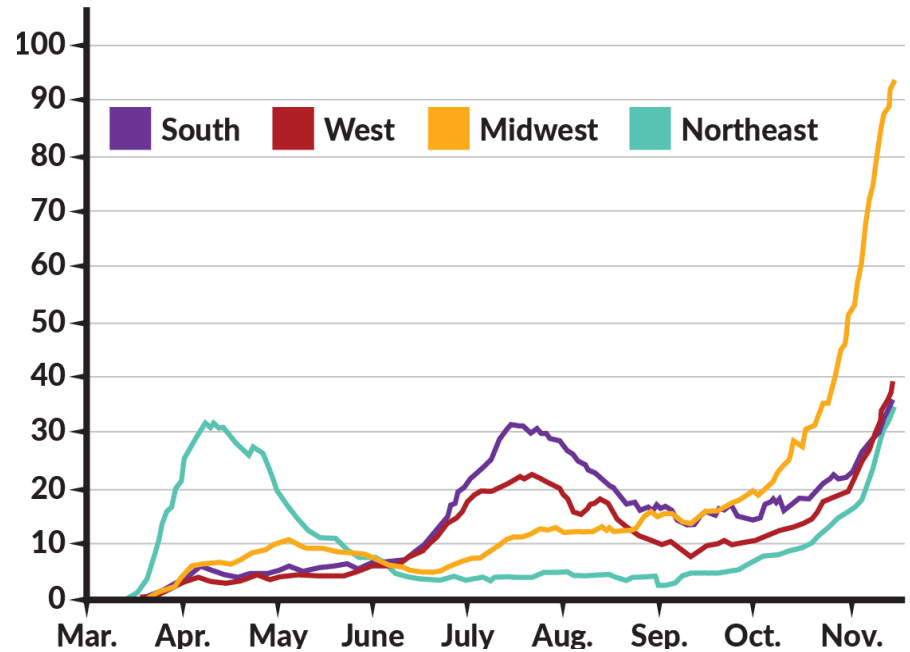


# COVID Update

## Hospitalizations



## Number of Cases

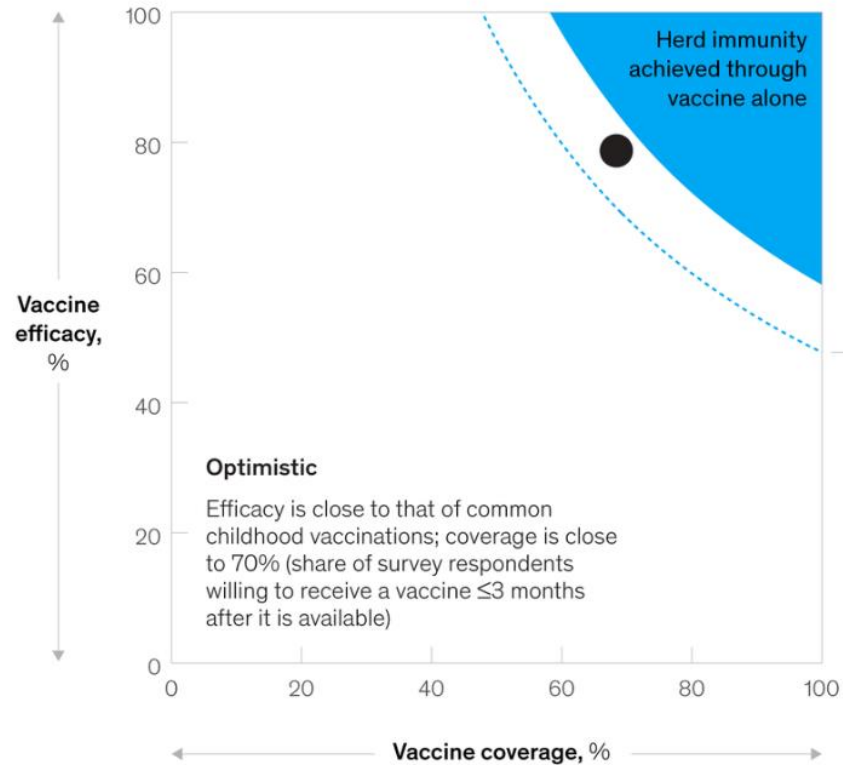


Source: Johns Hopkins, COVID Tracking Project



# Vaccine Math

- COVID 19 herd-immunity achieved once total immune population reaches 58%, using vaccine efficacy greater than 90%

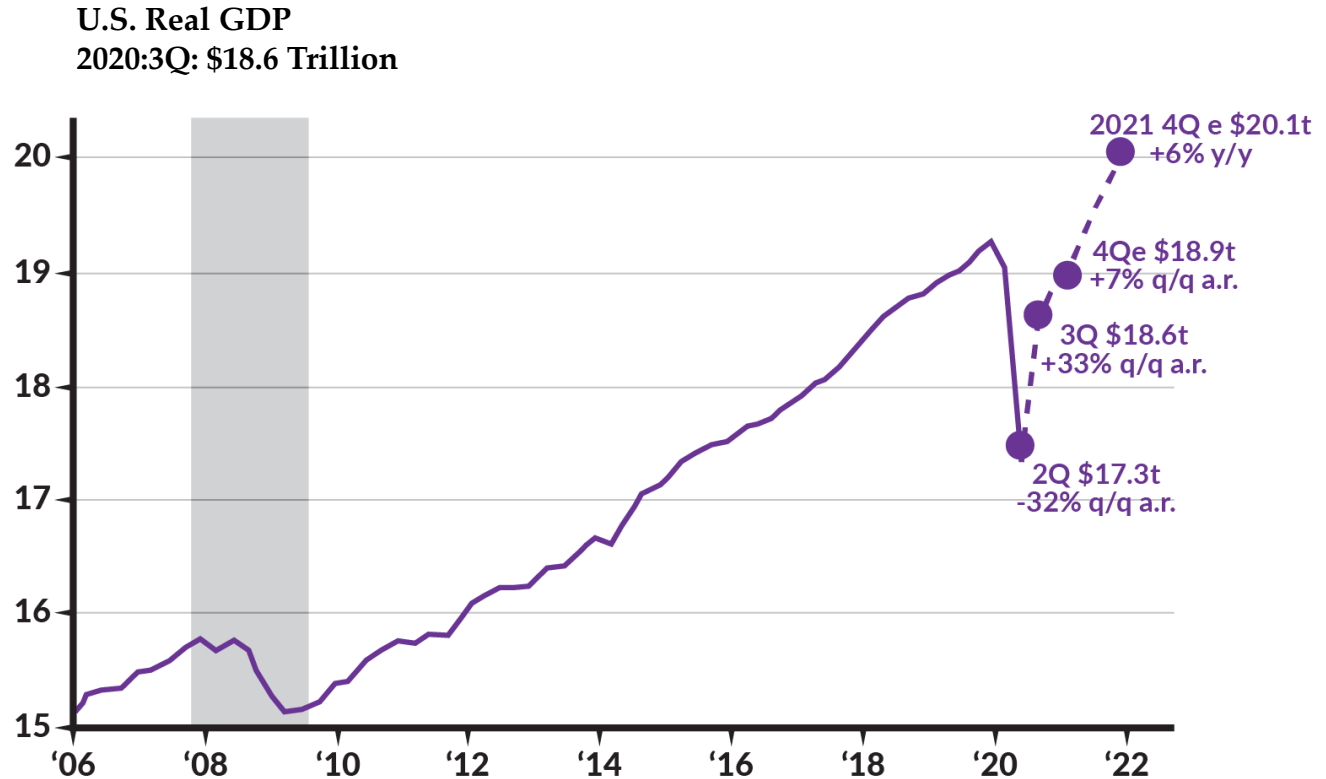


Source: US Food and Drug Administration, McKinsey, COVID 19 Survey, July 17, 2020



# U.S. Economic Growth

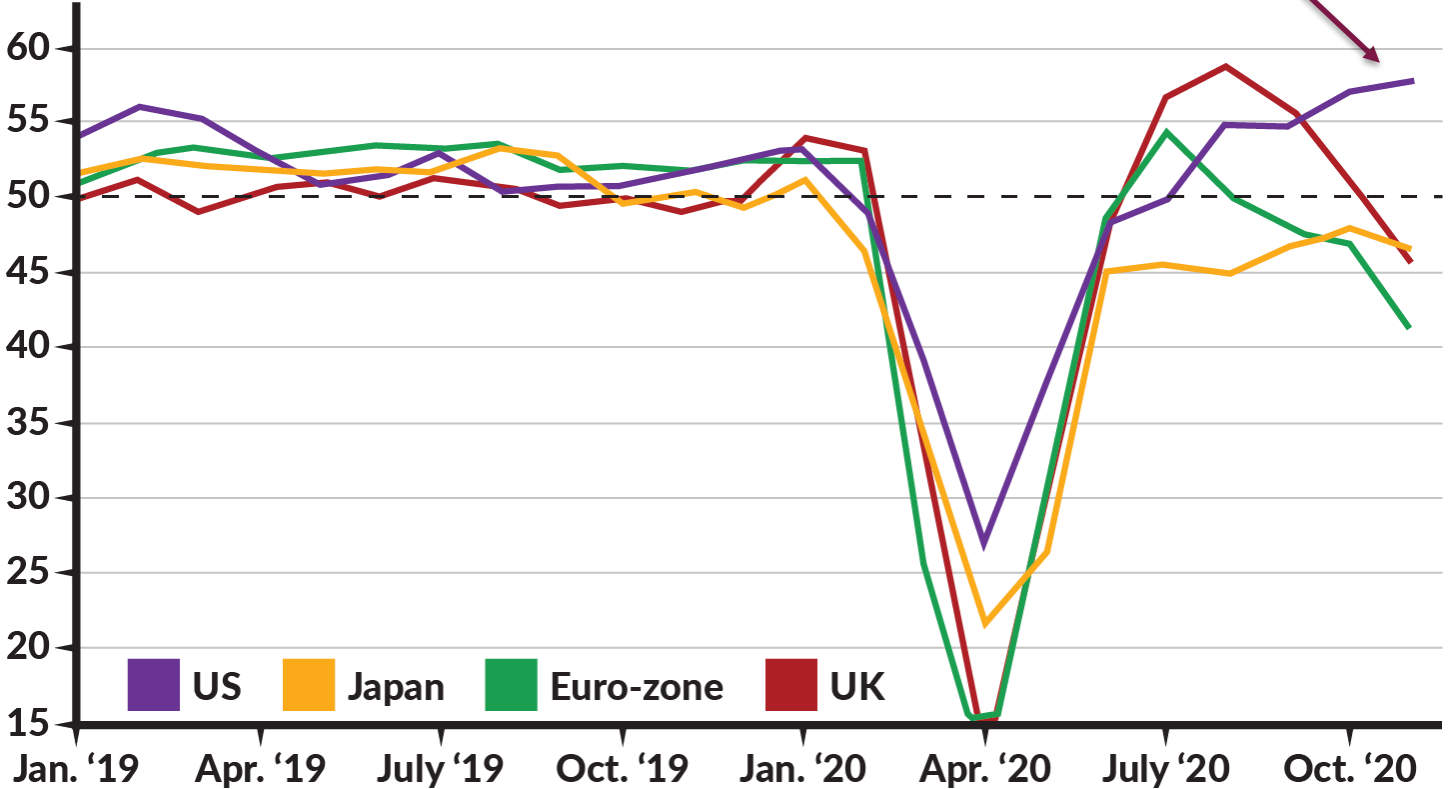
- \$2 trillion hair cut in 2020
- Faster recovery
- Q4 2021 6% annualized growth



Source: Cornerstone Macro



# Service Economy PMI's

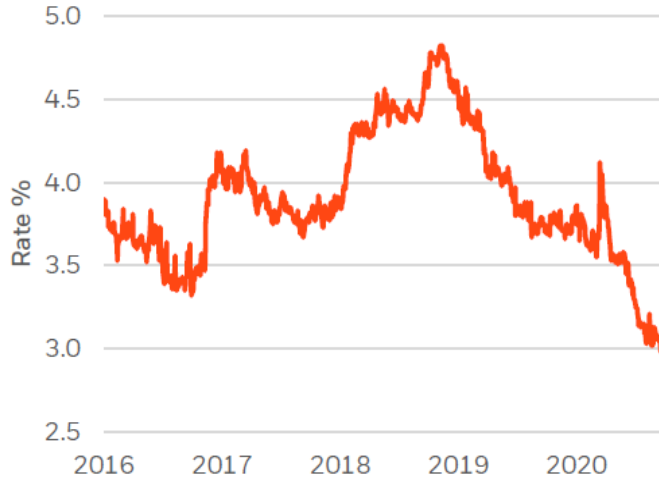


Sources: Refinitiv, IHS Markits, Capital Economics



# Housing Boom

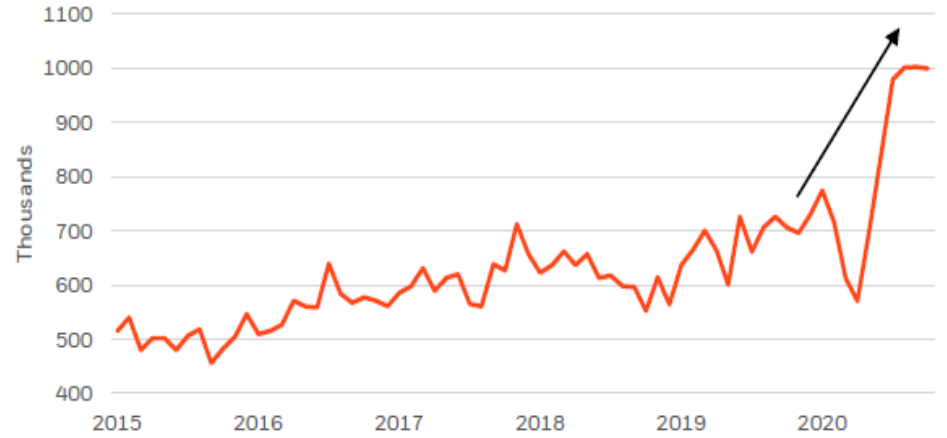
## 30yr mortgage rate from 5% to 3%



— 30Y Fixed Rate Mortgage National Average

- 1% reduction in mortgage rates could lead to \$5 billion/month for consumers
- Millennial wave has begun

## New Home Sales

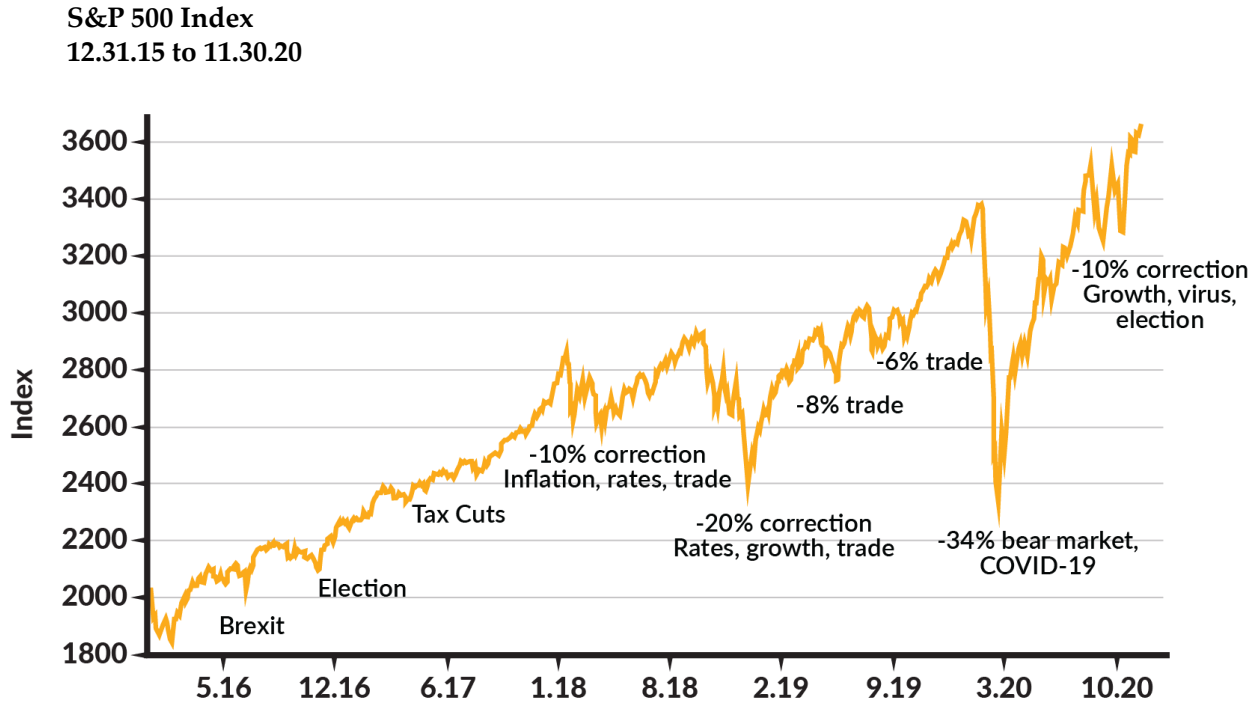


Sources: FHLB, National Home Builders Association, BlackRock





# Stocks Surge on Recovery Optimism

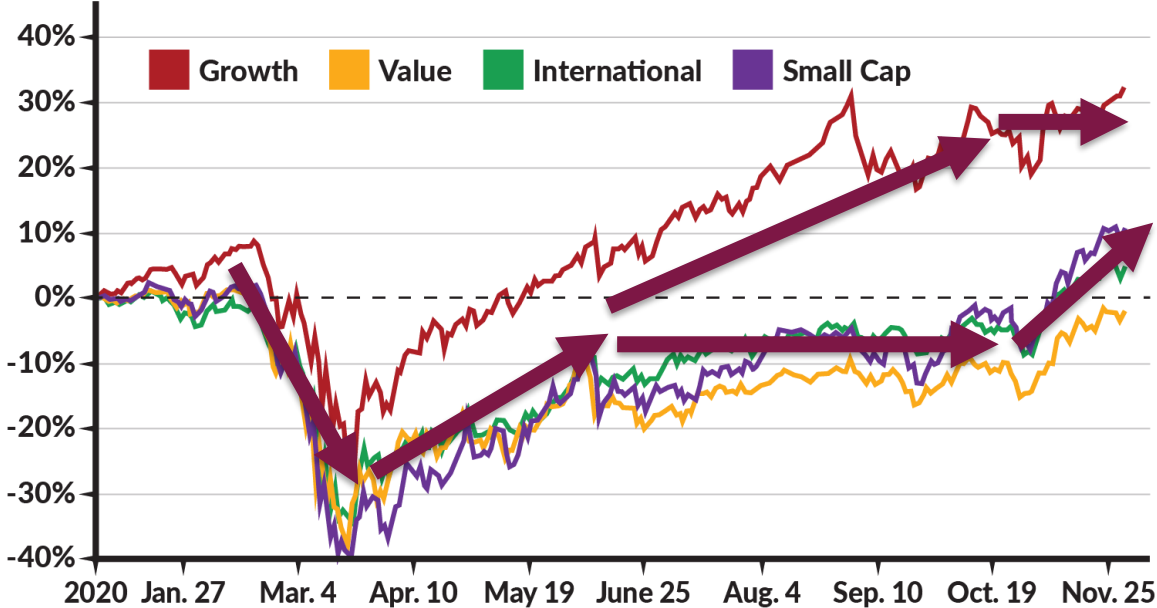


Source: Thomson ONE as of 11/30/2020



# Divergent Equity Returns

iShares R1000 Growth ETF, iShares R1000 Value ETF, iShares MSCI All-Country World Index Ex US ETF, iShares R2000 ETF  
12.31.19 to 11.30.20



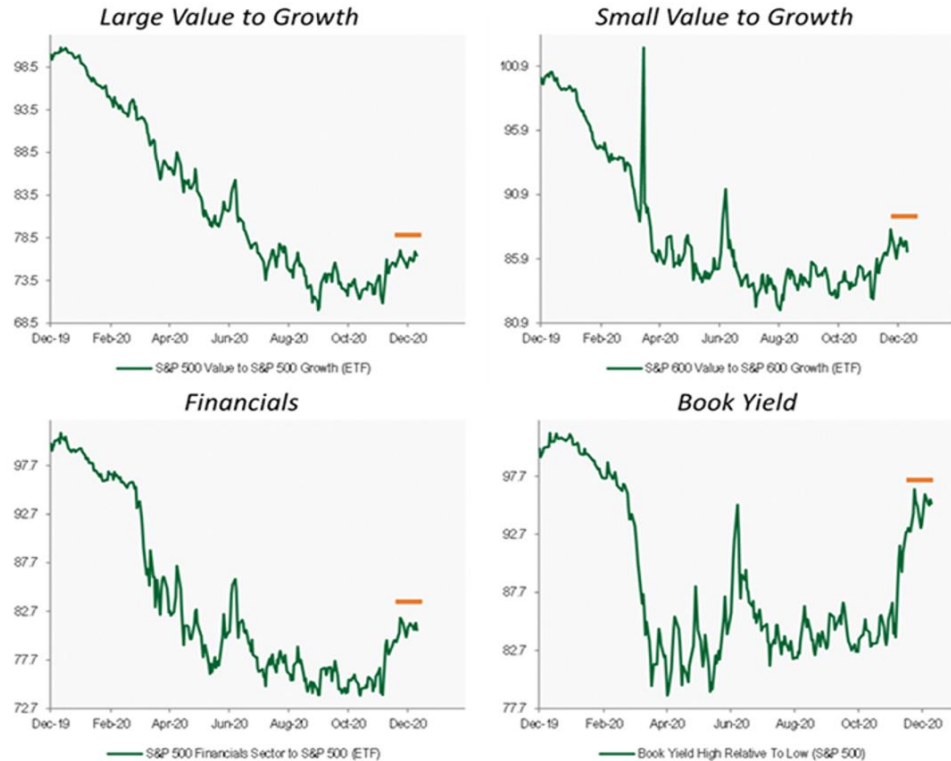
Source: Thomson ONE, price only returns as of 11/30/2020



# Stocks Surge on Recovery Optimism

- Oct./Nov. reversal
- Value recovery signaling economic improvement
- Financials improving

## Style Positioning:



Source: Thomson ONE as of 11/30/2020



# Equity Summary

- Virus Remains the Driver
- Diversification
  - Vaccine favors recovery stocks
  - Risk of a bump in the road favors diversification
- Remain Disciplined as Markets Remain Fast Moving
  - Rebalance after large moves



# Conclusions

- Economy will continue recovering
- Vaccination progress may not be smooth
- Aid likely
- Housing recovery belies demographic trend
- Stock valuation stretched – not everywhere
- Market rally needs new fuel, “rotation” is providing it



# Q&A

*Thank you for attending!*

# Disclosure

This content is for informational purposes only and is not to be taken as advice or a recommendation to buy or sell any investment. Forecasts, figures, opinions or statements of market trends are subject to change without prior notice. All information presented is considered accurate at the time of publication, but no warranty of accuracy is given and no liability with respect to any error or omission is accepted. Charts and graphs, in and of themselves, should not be used as a basis for investment decisions. Past performance is not a guarantee of future results.

Johnson Financial Group is a privately-held financial services company and marketing name for its subsidiaries, Johnson Bank, Johnson Wealth Inc., and Johnson Insurance Services, LLC.

